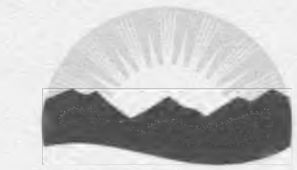
BC Housing

2015/16
ANNUAL SERVICE PLAN REPORT



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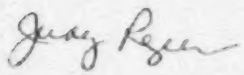
Board Chair's Accountability Statement

The *BC Housing 2015/16 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan.* I am accountable for those results as reported.



Judy Rogers
Board Chair

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Chair/CEO Report Letter

It is a pleasure to submit the British Columbia Housing Management Commission (BC Housing)'s 2015/16 Annual Service Plan Report. Over the past year we have undertaken a wide range of programs and initiatives, and believe we have performed well in achieving the expectations set out in our Mandate Letter from government. Together with our non-profit partners, we created housing options for over 1,700 individuals and families across the province through developing new housing and providing rental assistance for low and moderate-income working families, frail seniors, youth, Aboriginal households, people with physical and mental disabilities, and homeless individuals. The Provincial Investment in Affordable Housing, launched in February 2016, will create over 2,000 units of affordable housing for low and moderate income housing for people across the province.

Over the past year, in support of government's changes to the *Homeowner Protection Act* and Regulations, the Homeowner Protection Office launched the new builder qualification standards for builders of residential homes to demonstrate construction proficiency. As well, in partnership with the housing sector, BC Housing has supported innovative projects to improve and protect social and affordable housing, including capital investments into the renewal of aging stock and providing supports such as research and resources to help plan for the end of federal social housing operating funds.

In accordance with the government's Taxpayer Accountability Principles Action Items, a strategic engagement plan with our responsible Ministry has been implemented. The Assistant Deputy Minister responsible for housing has delegated authority for BC Housing. Every quarter, in consultation with our Board Chair, the Assistant Deputy Minister and other senior staff from the Ministry responsible for housing meet with BC Housing's Chief Executive Officer and Chief Financial Officer to review and discuss the outcomes and measurements identified by the Minister responsible. This quarterly engagement strengthens the effectiveness of BC Housing's partnership with the Ministry responsible and also supports our accountability goals.

Also in accordance with our Mandate Letter, in 2015/16, BC Housing took steps to fully adopt the Taxpayer Accountability Principles into our governance and our operations. This included updating the terms of reference for the Board of Commissioners and committees of the Board, and also adding a module on the Taxpayer Accountability Principles to our Standards of Conduct Awareness Training. All BC Housing staff and management are required to complete this awareness training. This training continues to be offered to new staff and it is available online as refresher training.

Judy Rogers
Board Chair

Shayne Ramsay
Chief Executive Officer

Purpose of the Organization

BC Housing was created in 1967 through an Order-in-Council under the *Ministry of Lands, Parks and Housing Act* to deliver on the provincial government's commitment to the development, management and administration of subsidized housing. Through the Homeowner Protection Office (HPO), BC Housing also has responsibilities related to licensing of residential builders, home warranty insurance, and research and education to improve the quality of residential construction and consumer protection. BC Housing has a Board of Commissioners that is responsible for corporate governance, and an organizational structure with six branches. Additional information such as our mandate, vision, mission and values can be found on the BC Housing website.

In 2015/16 we assisted more than 104,025 households in 200 communities across the province through a range of programs, initiatives and partnerships. Assistance ranges from emergency shelter and homeless outreach, transition houses, safe homes and second stage housing, independent and supportive social housing, rent assistance in the private market and home adaptations for seniors and persons with disabilities. BC Housing works in partnership with the non-profit sector to deliver much of these programs. Through the Homeowner Protection Office (HPO) 5,600 builders were licensed and 24,000 new homes were enrolled in home warranty insurance.

Strategic Direction and Context

BC Housing's performance is aligned with and supports the Taxpayer Accountability Principles and the provincial housing strategy *Housing Matters BC*. The British Columbia public sector Taxpayer Accountability Principles is an overarching government priority. Specific government direction was provided to BC Housing in the 2015/16 Mandate Letter from the Minister Responsible for Housing to the Board of Commissioners. Our performance against the Mandate Letter and the Taxpayer Accountability Principles is reported in the Report on Performance section of this Annual Report.

Specific strategic priority actions for 2015/16 given by government for BC Housing include:

- Support a strong non-profit sector through a range of activities and initiatives that include capacity-building, as well as education and training partnerships with the BC Non-Profit Housing Association.
- Support a strong, self-reliant Aboriginal housing sector through strategic initiatives with the Aboriginal Housing Management Association and innovative partnerships for the creation of new housing options.
- Respond to needs along the housing continuum through programs and initiatives to break the cycle of homelessness, including enhancing rent assistance, and to create new housing options for low and moderate income households.
- Support consumer confidence by developing a model for third party dispute resolutions of home warranty claims.

No significant changes were experienced in our operating environment in terms of impacting 2015/16 performance results. However, a range responses and mitigation strategies were put into place for a number of new and existing challenges over the course of the year.

- An uptick in the number of people finding themselves homeless in some communities gave rise to a number of tent city situations. In response, we have put additional resources into place to provide low barrier shelter, supportive housing options and on-site supports, and to mitigate neighbourhood concerns.
- Continued pressure on housing affordability, especially in the major urban centres. The Province made a major investment of $355 million to create upwards of 2,000 new affordable housing units across British Columbia over the next five years. In addition, BC Housing initiated a research study to examine key factors affecting home prices throughout the province and, in particular, the Metro Vancouver area.
- The Tsilhoqot'in Aboriginal Title case means that we continue to respect consultation and accommodation requirements with First Nations for Provincial Rental Housing Corporation properties in traditional territories that may be transferred through the Non-Profit Asset Transfer program or, for example, part of the Riverview visioning and planning process.
- Cost pressure risks related to building, repairing and operating social housing continued to be monitored and managed through capital project planning, underwriting for new developments, laddered mortgage renewal dates, competitive mortgage tender processes, and the adoption of budget and financial templates for our partnering housing societies.
- The potential for losing affordable housing stock due to expiring social housing operating agreements and aging of the stock continues to be a priority for us, and a range of responses have been put into place including program reform, joint initiatives with the BC Non-Profit Housing Association as well as ongoing financial investment in the capital renewal of the social housing stock.
- Operational efficiency and performance risks are addressed through our Human Resource's *People Strategy* including annual monitoring of employee engagement and encouragement of cross-branch work to streamline and improve internal processes and responses.
- Risks and opportunities associated with implementing the enhanced licensing system for home builders under the *Homeowner Protection Act* continue to be monitored to ensure clients and stakeholders are aware of new requirements and able to achieve a high bar of professionalism.
- Health and safety risks for tenants, employees, housing providers and contractors related to the size, age and diversity of the social housing stock continued to be managed through several programs, e.g., asbestos management, with dedicated staff resources and partnerships with sector organizations.

Report on Performance

BC Housing has successfully delivered on our performance expectations as set out in the Mandate Letter. The Taxpayer Accountability Principles have also been incorporated into BC Housing's organizational practices and procedures, this includes:

- The Chair/CEO Report Letter in this Annual Report properly informs of BC Housing's performance concerning our Mandate letter expectations.
- BC Housing's Performance Measurement Framework (PMF) is developed in collaboration with the ministry responsible, and is reviewed at least annually. BC Housing's PMF is our evaluation plan with specific efficiency and performance measures as determinants of BC Housing's health and performance against the Taxpayer Accountability Principles. It is firmly linked with government's directions as set out in the Mandate Letter and the provincial housing strategy, Housing Matters BC.

- Assisting the responsible deputy minister with a strategic engagement plan with BC Housing to work effectively together by holding quarterly meetings with the deputy minister's delegates and BC Housing's senior management which demonstrate accountability for the PMF outcomes and measures.
- Undertaking comprehensive and appropriate communication, orientation and training regarding BC Housing's accountability framework, Taxpayer Accountability Principles and BC Housing's governance and operations, including updating Board terms of reference documents to integrate the taxpayer accountability principles and integrating training on the principles into BC Housing's mandatory Standards of Conduct Awareness Training.

Performance targets in this report were established in the 2015/16 Service for six measures under each of our goals and objectives. The description of each goal illustrates how we deliver on the expectations set out by the Mandate Letter and Taxpayer Accountability Principles.

Further information and assumptions regarding our performance measures may be found on our website at www.bchousing.org/aboutus/Reports.

Goals, Strategies, Measures and Targets

Goal 1: Support a Strong Non-Profit Housing Sector

BC Housing supports a strong non-profit housing sector through relationship-building, collaboration and capacity-building initiatives in partnership with housing providers, the BC Non-Profit Housing Association and other organizations involved in the non-profit sector.

We share a common purpose with non-profit housing providers to provide stable, safe and affordable housing. Together we work toward ensuring the sustainability of the sector and provision of social housing over the long-term. Our mutual success depends on being strategic about priorities and making the best use of our different, but complementary capabilities.

This goal strongly aligns with Taxpayer Accountability Principles in the areas of cost effective delivery of services, accountability and a clear focus of positive outcomes in the delivery of services to British Columbians. This goal also delivers on direction given in our Mandate Letter to support a strong non-profit sector by taking steps to strengthen relationships and capacity building.

Strategies

1. Provide support to housing providers in improving financial, operating and governance practices.
2. Transfer Provincial Rental Housing Corporation (PRHC) properties to non-profit housing providers, including PRHC-leased land in social housing projects and select public housing stock where appropriate through the *Non-Profit Asset Transfer Program*.
3. Work with the BC Non-Profit Housing Association to:
    - Develop tools and resources to help housing providers prepare for the expiry of operating agreements.

- Carry out capital planning for the maintenance, rehabilitation, redevelopment and energy efficiency of the social housing stock.
- Initiate and deliver education and training programs in a range of areas including governance and housing partnerships.

Performance Measure 1.1: Collaborate with our non-profit housing partners to ensure long-term provision of social housing

Performance Measure 1.1:	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Increase in the percentage of housing providers with fewer indicators for follow-up after an operational review	87% Baseline established	70%	76%	72% or higher	71%	Measure to be reviewed	Measure to be reviewed

Data Source: **this measure is gathered by BC Housing as part of the operational review process with housing providers.**

Discussion

This measure focuses on collaborative efforts with non-profit housing providers to improve financial and operational practices. Key indicators cover a range of areas including: property management, tenant/client management, financial management, health and safety, support services (if applicable), and capital asset planning.

Performance targets reflect the percentage of housing providers requiring follow-up with five or fewer indicators as determined from the results of the operational review process, with the emphasis on a larger percentage of housing providers with fewer follow-up items each year.

Performance from past years has ranged from 70 percent to 76 percent depending on the housing providers receiving an operational review during the year (on average 130 housing providers are reviewed annually). This measure assumes that as the number of indicators requiring follow-up decreases; the number of non-profit housing providers with improved financial and operational capacity will increase, thereby allowing us to focus on other housing providers who need more support. In 2014/15, 76 per cent of providers that completed their operational review required minimal assistance from BC Housing. This finding indicated that the housing providers reviewed had strong operational and financial practices. The 2015/16 target of 70% reflected the opportunity to focus on housing providers who need more support than those reviewed in 2014/15.

In 2015/16, 71 percent of providers that completed their operational review required minimal assistance from BC Housing. This result is slightly below the target of 72 percent; however, housing providers that were reviewed have strong operational and financial practices permitting BC Housing to focus on other housing providers who need more support. Data for this measure is gathered through an operational review process with housing providers funded by BC Housing. Performance is

benchmarked against past performance. The measure will be reviewed in 2016/17 and will examine a broader range of indicators of capacity that are linked to programs and activities carried out by BC Housing toward supporting a strong non-profit housing sector.

Performance Measure 1.2: Adequate provisions for future requirements for the social housing stock

Performance Measure 1.2:	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Facility Condition Index	15% (Baseline established)	11%	11%	15% to 20%	9%	15% to 20%	15% to 20%

Data Source: **condition assessments of building systems, sub-systems and components.**

Discussion

The Facility Condition Index (FCI) measure is a means of quantifying the physical condition of the social housing stock. The FCI calculation is the cost of a building's renewal and replacement needs divided by its replacement cost, expressed as a percentage. The FCI value is an indication of the condition of a building – a lower value corresponds to a better building condition. The FCI is used to assist with investment decisions and strategic directions regarding capital planning and rehabilitation budgets for social housing.

BC Housing, along with our non-profit housing partners, strive for continual improvement in the quality of the social housing stock. Our ability to positively affect the FCI measure primarily relates to available funding for capital improvements and to the existing condition of the social housing stock.

The target, set at 15 to 20 percent allows an acceptable service level for buildings and building conditions for tenants. Future targets are based on a larger sampling of assessed units (growing to 75 percent of the social housing stock with building condition assessments), work underway or planned over the three-year service plan period, available funding, and the aging of the stock each year.

As of March 31, 2016, results indicated a portfolio FCI rating of 9 percent, exceeding the targeted rating of 15 percent. This positive performance is due to a few key factors:

- The assessment of approximately 6,600 non-profit units
- The addition of 1,600 new units added to the housing stock have a positive impact as they do not show any immediate need for renovations or repairs.
- Updates to BC Housing's data and systems improved the accuracy of calculations.
- 179 major renovations on the social housing stock in 2015/16 contributed a positive effect (reduction) of the portfolio FCI.

Goal 2: Respond to Needs Along the Housing Continuum

Our Mandate Letter directs BC Housing to make strategic shifts in the way services are delivered to low and moderate income households, and to promote strategic partnerships and alliances that work to further the availability of affordable market housing. We deliver on these commitments by responding to needs along the housing continuum and delivering a wide range of programs and initiatives to expand housing options.

Also in accordance with the Mandate Letter, we work with industry to help ensure the quality of residential construction and consumer protection for buyers of new homes. To do this we collaborate with partners across many sectors and industries, from non-profits to homebuilders and local governments to community organizations.

Strategies

1. Implement measures to break the cycle of homelessness through: creating new supportive housing projects; providing homeless outreach and emergency shelter; and providing people in identified at-risk groups facing homelessness with portable rent supplements to help them access rental housing in the private market through the *Homeless Prevention Program*.
2. Facilitate innovative partnerships to create new affordable housing options for low- and moderate-income households along the continuum through development programs.
3. Provide cash assistance to low-income seniors and working families in the private rental market through rental assistance programs.
4. Improve the physical accessibility of homes for low-income seniors and persons with disabilities through the *Home Adaptations for Independence* program.
5. Administer consumer protection measures for buyers of new homes by: implementing an accreditation system for home builder education and education providers; and begin work on establishing an appeal mechanism for new home construction warranty claims.

Performance Measure 2.1: Increase housing options

Performance Measure 2.1:	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target**	2017/18 Target**
Number of new units/beds created for priority groups	1,004	1,557	2,815*	1,113	1,764	1,191	1,553

Data Source: **BC Housing's data systems that track progress of new units created.**
*Includes 1,427 rent supplements funded through the *Homeless Prevention Program.*
** Future targets were revised in the 2016/17 Service Plan

Discussion
This measure describes our performance in creating new units for low and moderate-income individuals and families, including frail seniors, youth, Aboriginal households, people with physical and mental disabilities, as well as homeless individuals.

Targets are based on the completion of new units under existing development programs and take into account planned program funding levels. In addition to the number of units created through development projects, the number of households benefitting from rent supplements through the *Homeless Prevention Program* is included in this performance measure. The targets reflect that the Homeless Prevention Program is now fully allocated.

In 2015/16 we created 1,764 new units/beds, surpassing the target of 1,113. The new units were added in 34 communities across the province. New units were created through various programs including: 625 units under the *Community Partnership Initiatives*, 165 units under the Canada/BC *Investment in Affordable Housing*, 284 units under *Memoranda of Understanding* with local governments, and an additional 216 short-stay shelter spaces, 31 beds for group homes, and 282 units under various other programs (including 161 through rent supplement programs). In total 1,309 of the units were newly constructed units created through our development programs, and 455 represent a combination of rent supplements and units made available for vulnerable populations within existing purchased buildings.

Performance Measure 2.2: **Promote consumer protections and compliance with the *Homeowner Protection Act***

Performance Measure 2.2	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Builders' rating of the effectiveness of compliance efforts to monitor and enforce licensing and home warranty insurance	83%	85%	84%	80% or higher	85%	80% or higher	80% or higher

Data Source: **obtained through a survey carried out by a third-party survey research firm. Prior to 2014/15 the survey was conducted through online and mailed out surveys. For 2014/15 onwards, the results are based on an online survey only.**

Discussion

This is a measure of the overall health of the builder licensing, home warranty insurance and owner-builder authorization system, whereby compliance issues are dealt with quickly and effectively by the Homeowner Protection Office. Assessment of performance is best done by industry participants (licensed residential builders) that operate their businesses within the regulatory framework. Targets are based on past trends, recognition that reducing instances of non-compliance continues to be seen as an area for continued business improvement, and strategic initiatives underway to enhance compliance efforts each year over the three-year service planning period.

The 2015/16 survey was sent to 5,682 builders with 1,288 responding, for a response rate of 23 percent. This year, the entire survey was conducted online to expedite the process, cut down on paper, and to reduce costs. Results show that 85 per cent of builders felt that the effectiveness of the compliance efforts was "very effective" or "effective". Targets are based on past trends, recognition

that reducing instances of non-compliance continues to be seen as an area for continued business improvement, and strategic initiatives underway to enhance compliance efforts each year over the three-year service planning period. This result is above the target of 80 percent. Reducing instances of non-compliance continues to be seen as an area for continued business improvement.

Goal 3: Enhance Aboriginal Partnerships

Aboriginal people are significantly over represented within the homeless population and are more likely to need housing that is adequate and affordable. To help address these issues we work with the Aboriginal housing sector to enhance partnerships and increase self-reliance within the sector. The Taxpayer Accountability Principle of respect is strongly emphasized by our work under this goal. BC Housing engages in equitable, compassionate, respectful and effective communications that ensures all parties are properly informed or consulted on actions and decisions. In addition, we proactively collaborate in a spirit of partnership that respects the use of taxpayers' monies.

Strategies

1. Partner with the Aboriginal Housing Management Association to engage Aboriginal communities and housing providers in identifying key housing challenges and opportunities.
2. Ensure that there are lasting benefits to the Aboriginal communities that we work with through a range of initiatives such as housing-related training and employment.
3. Provide BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects related to Aboriginal partnerships and housing.

Performance Measure 3.1: Facilitate opportunities that lead to a more self-reliant Aboriginal housing sector

Performance Measure 3.1:	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target**	2017/18 Target**
Progressive Aboriginal Relations (PAR) certification*	Silver (initial certification year**)	Silver	Silver	Silver	Gold (re-certification year)	Gold	Gold

Data Source: **the Canadian Council for Aboriginal Business.**

* This measure is conducted on a three year cycle. BC Housing began its recertification process in 2015.

** Future targets were revised in the 2016/17 Service Plan

Discussion

Performance is measured through the Progressive Aboriginal Relations (PAR) Certification, whereby our broad range of initiatives and partnerships with Aboriginal organizations is assessed by an independent third-party organization, the Canadian Council for Aboriginal Business. The Canadian Council for Aboriginal Business assesses our commitment to the Aboriginal sector in four areas: employment; business development; community investment; and community engagement. Assessment results are certified at a bronze, silver or gold level, depending on how the organization has demonstrated its performance.

BC Housing was awarded a gold-level certification in 2015/16, surpassing the target of silver. BC Housing is the only social housing provider in Canada to be certified under the PAR program. This result demonstrates BC Housing's active and on-going commitment to supporting the Aboriginal housing sector and our Aboriginal housing partners. The next certification process will occur again in 2018. Current plans, initiatives and collaboration support the goal of continual improvement each year to support stronger Aboriginal partnerships and relations.

Benchmarking is conducted on a national level against other Canadian companies participating in the PAR certification program. Current PAR certified companies include BC Hydro, Canada Post, IBM and BMO Financial Group.

Goal 4: Leadership in Sustainability and Residential Construction

This goal brings together two areas in which we have significant leadership responsibilities. Through the Homeowner Protection Office, we partner with industry and government partners to initiate technical research and education projects that promote the durability and energy efficiency of new residential construction. Research findings are applicable across both private and social housing sectors: BC Housing plays an important role in ensuring the dissemination of beneficial findings across sectors, for example, improving energy performance of multi-unit buildings and providing building enclosure design guidelines.

As well, through the *livegreen* Housing Sustainability Plan, we encourage and take a leadership role in promoting sustainability. Sustainability is promoted within our programs and services and within the broader housing sector. As demonstrated in our Carbon Neutral Action Report, we have made progress in reducing our greenhouse gas emissions and our organizational environmental footprint.

Overall this goal supports the Taxpayer Accountability Principles of accountability and integrity. Actions under this goal are aligned with government's direction under the *Greenhouse Gas Reductions Target Act*. Decisions and actions in the interest of environmental sustainability are implemented in our own operations.

Strategies

1. Carry out strategic research and education to support continuous improvement in the quality of residential construction and consumer awareness.
2. Implement the livegreen Housing Sustainability Plan to promote environmental sustainability in our work, with our tenants, and more broadly within the housing sector.

Performance Measure 4.1: Environmental leadership in the housing sector

Performance Measure 4.2:	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Per cent reduction in greenhouse gas emissions from 2005 levels	22%	24%	26%	20% or more	33%	20% or more	20% or more

Data Source: **provided directly from utility companies and compiled by an external consultant. In accordance with legislative requirements, the targets and results are based on a calendar year, e.g., results for 2015 are reported in the 2015/16 Actual column.**

Discussion

This measure tracks progress in reducing greenhouse gas (GHG) emissions and maintaining a carbon neutral status as required by the *Greenhouse Gas Reductions Target Act.* It includes emissions from the entire housing portfolio of buildings owned or leased by the Provincial Rental Housing Corporation, and is aligned with provincial reporting requirements.

Targets are set to achieve a 20 percent or more reduction in GHG emissions from the 2005 level. The baseline, which was calculated across the housing portfolio in 2005, has been maintained to compare our reductions. Targets take into account anticipated changes to the housing portfolio and our goal is to reduce emissions above the 20 per cent level (compared to the 2005 baseline) each year.

In 2015, total GHG emissions related to energy use for heating and electricity in all buildings owned or leased by BC Housing (including: directly managed buildings, group homes operated by non-profit housing societies, and SROs) were reduced by 33 per cent from the 2005 level, exceeding the annual reduction target by 13 per cent. .

These results can be attributed to multi-year building upgrades and energy programs, renovation of 13 SROs in the Downtown Eastside through the Single Room Occupancy Renewal Initiative, and successful implementation of higher efficiency heating and lighting technologies in new and older buildings, combined with installation of heating systems low in carbon emissions and on-going improvements in energy management practices across the portfolio.

The total 2015 GHG emissions from buildings were 24,371 tonnes of CO2e[1]. This represents a 33 per cent decrease in emissions compared to the 2005 baseline year. The total 2013 GHG emissions from buildings were 21,623 tonnes of CO2e, representing a 14 per cent decrease in emissions compared to 2014.

[1] CO2e is an abbreviation for carbon dioxide equivalent.

Financial Report

Discussion of Results

In 2015/16, BC Housing's expenditures totaled $636.3 million. Services to improve housing options for British Columbians ranged from housing supports for the most vulnerable, to consumer protection, and improved quality of residential construction in the private market. In total, 104,025 households were assisted through subsidized housing, an increase of over 1,500 from the previous year.

Revenues
In 2015/16, revenues totaled $636.4 million, which is $14.7 million, or 2.2 percent, lower than the previous year. The overall decrease is reflected by decreases in Federal contributions and other revenue, partially offset by an increase to Provincial contributions.

Provincial contributions increased by $16.2 million compared to the previous year. This change includes an increase of $39.5 million in operating contributions primarily to fund the operating and support costs for newly completed projects developed under the *Memoranda of Understanding* (MOU) with local governments, the capital repayment and facility maintenance costs for projects completed under the *SRO Renewal Initiative*, and mortgage principal and interest payments for properties transferred to non-profit housing providers under the *Non-Profit Asset Transfer (NPAT) Program*. Capital grant initiatives funded by BC Housing for the construction and renovation of provincially-owned housing stock decreased by $20.9 million, and contributions from other ministries, used mostly for funding the operating costs of group homes, also decreased by $2.4 million.

Federal contributions decreased by $23.1 compared to the previous year. The largest federal contribution is from the Canada Mortgage and Housing Corporation which decreased by $11.4 million. This includes funding under the *Social Housing Agreement* and the *Investment in Affordable Housing Agreement* (IAH). Contributions from the P3 Canada Fund for capital contributions towards completed buildings under the *SRO Renewal Initiative* decreased by $11.4 million. Federal contributions decreased by a further $0.3 million due to one-time funding received in 2014/15 from the Mental Health Commission of Canada and Services Canada.

Other revenue adjustments include a $10.8 million decrease to investment earnings as a result of fluctuating financial markets. Small adjustments also include decreases to construction interest and also to land lease revenue due to properties transferred under the *Non- Profit Asset Transfer (NPAT) Program.* Increases include tenant rent, license fees, and lender revenue.

Overall, revenues in 2015/16 were $21.2 million below the budget as published in BC Housing's 2015/16 Service Plan. Slower than anticipated construction spending on various provincial and federal funded projects and delayed transfers under the *NPAT* Program are the primary reason for the lower revenues. Higher than expected revenues are in tenant rent, license fees, and investment gains.

Program Expenditures
BC Housing's expenditures totalled $636.3 million in 2015/16, which is $14.7 million or 2.2 percent lower than the previous year.

The primary reason for the lower costs in 2015/16 is a $33.3 million decrease in Housing Subsidies (operating and support subsidies, and grants). Grants, the majority of which provided for capital initiatives, were $43.5 million lower than the previous year. Operating and support subsidies to non-profit housing providers increased by $10.2 million primarily due to newly completed MOU projects, outreach support costs for the new *Homeless Prevention Program* (HPP), mortgage subsidy payments for projects transferred under the *NPAT* Program and the annual capital repayment for projects completed under the *SRO Renewal Initiative*.

Rental Assistance increased by $6.2 million due to the increased number of households receiving assistance under the *Shelter Aid for Elderly Renters* (SAFER) program as well as new rent supplements targeting those at risk of homelessness under the HPP.

Repairs and maintenance increased by $4.1 million. This funding was used in BC Housing managed buildings for repairs and maintenance to units that were vacant and required repairs before new tenants could be housed as well as for other units with long term tenants where no major repairs or renovations had been made for many years. Modernization and Improvement (M&I) increased by $4.9 million to meet high priority needs in non-profit managed buildings.

Expenditures in 2015/16 were $21.2 million below the budget as published in BC Housing's 2015/16 Service Plan. This is primarily due to slower than expected construction spending on various provincial and federal funded projects and delayed transfers under the *NPAT* Program. These savings are partially offset by increased spending on building maintenance and M&I as mentioned above. In addition, a number of operational related expenditures, including Operating Expenses and Property Taxes are higher than anticipated due to delayed property transfers under the *NPAT* Program.

Financial Resource Summary Table

($000)	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget	2015/16 Actual	2015/16 Variance	2014/15 Variance
Total Revenue ($000)	**764,063**	**769,606**	**656,580**	**610,156**	**651,068**	**657,534**	**636,375**	**21,159**	**(14,693)**
Provincial Share [2]	481,472	474,031	421,312	384,632	411,811	432,464	428,025	4,439	16,214
Federal Share	223,423	239,501	178,251	160,070	169,972	173,097	146,911	26,186	(23,061)
Other [3]	59,168	56,074	57,017	65,454	69,285	51,973	61,439	(9,466)	(7,846)
Total Expenses ($000)	**764,013**	**769,552**	**656,538**	**610,128**	**651,040**	**657,534**	**636,340**	**21,194**	**(14,700)**
Housing Subsidies	552,307	555,173	436,519	388,236	415,695	408,597	382,419	26,178	(33,276)
Rental Assistance	76,716	82,327	86,510	90,428	106,767	114,694	112,917	1,777	6,150
Salaries and Labour	48,553	48,618	49,724	50,251	51,085	54,444	52,986	1,458	1,901

Operating Expenses	25,624	22,961	22,440	22,383	20,768	20,845	22,061	(1,216)	1,293
Building Maintenance	12,924	12,223	14,503	12,490	10,803	13,535	14,867	(1,332)	4,064
Building Modernization and Improvement	11,864	11,866	10,510	9,512	9,890	9,590	14,829	(5,239)	4,939
Office and Overhead	9,005	8,422	8,983	10,014	10,155	9,800	9,626	174	(529)
Building Mortgage Costs	8,718	8,718	8,718	8,672	8,533	8,534	8,533	1	-
Utilities	8,873	8,459	8,427	8,571	8,081	8,979	8,209	770	128
Grants in lieu of Property Taxes	7,806	7,606	7,694	6,687	6,801	6,620	7,616	(996)	815
Research and Education	1,071	2,152	1,667	2,114	1,714	1,296	2,146	(850)	432
Interest Expense	552	1,027	843	770	748	600	131	469	(617)
Net Income	**50**	**54**	**42**	**28**	**28**	**-**	**35**	**(35)**	**7**
Total Debt	**110,475**	**140,919**	**82,234**	**130,433**	**77,216**	**30,000**	**83,341**	**(53,341)**	**6,125**
Accumulated Surplus /Retained Earnings	**2,115**	**2,169**	**2,211**	**2,239**	**2,267**	**2,239**	**2,302**	**(63)**	**35**
Total Capital Expenditures	**3,595**	**4,772**	**5,531**	**3,041**	**692**	**5,000**	**4,984**	**16**	**4,292**

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.
Note 2: In 2015/16 this includes funding of $408.9 million provided directly by the provincial government to BC Housing, $12.0 million from the Housing Endowment Fund, and $7.1 million from other partnering ministries/agencies.
Note 3: This includes tenant rent and revenues from other sources including builder licensing fees.

Financial Statements: BC Housing Management Commission

Statement of Management Responsibility

The financial statements of the British Columbia Housing Management Commission (the Commission) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 24, 2016. The financial statements have also been reviewed by the Audit and Risk Management Committee and approved by the Board of Commissioners.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee.

The financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Commission's financial position, results of operations and cash flows in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Commissioners, through the Audit and Risk Management Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Audit and Risk Management Committee meets regularly with the external auditors, the internal auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Commissions. The Audit and Risk Management Committee also recommends the appointment of an external auditor to the Board of Commissioners. The external auditor has full and open access to the Audit and Risk Management Committee, with and without the presence of management.

Shayne Ramsay
Chief Executive Officer

Dan Maxwell
Vice President of Corporate Services
And Chief Financial Officer

May 24, 2016

BDO

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of British Columbia Housing Management Commission

We have audited the accompanying financial statements of the British Columbia Housing Management Commission, which comprise the Statement of Financial Position as at March 31, 2016, and the Statements of Operations, Change in Net Debt, Remeasurement Gains and Losses and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of the British Columbia Housing Management Commission as at March 31, 2016 and the results of its operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 24, 2016

Statement of Financial Position

	March 31 2016 ($000's)	March 31 2015 ($000's)
Financial Assets		
Cash	$ 17,084	$ 3,249
Portfolio investments (Note 3)	75,778	74,509
Receivables	7,937	7,838
Due from Province of British Columbia (Note 15)	299	448
Due from Canada Mortgage and Housing Corporation (Note 15)	8,346	17,257
Construction loans to housing projects (Note 4)	205,199	176,257
Mortgages receivable (Note 5)	6,213	12,987
	320,856	292,545
Liabilities		
Accounts payable and accrued liabilities	34,119	31,469
Deferred revenue (Note 6)	101,210	79,636
Due to Provincial Rental Housing Corporation (Note 7)	94,775	69,512
Tenants' prepaid rent	1,088	1,300
Due to Provincial Treasury	83,341	77,216
Society funds held on deposit (Note 8)	20,925	14,492
Grants received in advance of construction (Note 9)	24,732	48,306
Social Housing Agreement Reserves (Note 10)	2,851	2,660
	363,041	324,591
Net debt	(42,185)	(32,046)
Non-financial assets		
Prepaid expenses and housing subsidies	30,125	28,151
Tangible capital assets (Note 11)	9,660	8,037
	39,785	36,188
Accumulated surplus (deficit)	(2,400)	4,142
Accumulated surplus (deficit) is comprised of:		
Accumulated surplus from operations	2,302	2,267
Accumulated remeasurement gain (loss)	(4,702)	1,875
	$ (2,400)	$ 4,142

Commitments (Note 14)
Contingencies (Note 16)

On behalf of the Board

Chair

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2016 Budget (Note 12) ($000's)	2016 Actuals ($000's)	2015 Actuals ($000's)
Revenue			
Provincial contributions	$ 432,464	$ 428,025	$ 411,811
Federal contributions	173,097	146,911	169,972
Tenant rent	32,127	36,112	34,011
Other	15,845	17,420	16,600
Portfolio investment income	4,000	7,907	18,674
	657,533	636,375	651,068
Expenses			
Housing subsidies	408,597	382,419	415,695
Rental assistance	114,694	112,917	106,767
Salaries and labour	54,444	52,986	51,085
Operating expenses	20,845	22,061	20,768
Building maintenance	13,535	14,867	10,789
Office and overhead	9,800	9,626	10,155
Building modernization and improvement	9,590	14,829	9,904
Building mortgage costs	8,533	8,533	8,533
Utilities	8,979	8,209	8,081
Grants in lieu of property taxes (Note 13)	6,620	7,616	6,801
Research and education	1,296	2,146	1,714
Interest expense	600	131	748
	657,533	636,340	651,040
Annual surplus from operations		35	28
Accumulated surplus from operations at beginning of year		2,267	2,239
Accumulated surplus from operations, end of year		$ 2,302	$ 2,267

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2016 ($000's)	2015 ($000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	$ 35	$ 28
Adjustments to determine cash flows:		
Change in non-cash working capital	30,999	23,022
Depreciation	3,361	3,043
	34,395	26,093
Capital transactions		
Tangible capital asset additions	(4,984)	(692)
Investing transactions		
Construction loans provided to housing projects	(28,942)	2,169
Portfolio investments	(7,848)	3,928
Mortgages receivable	6,774	(2,690)
	(30,016)	3,407
Financing transactions		
Grants received in advance of construction	(23,574)	(8,240)
Due to Provincial Treasury	6,125	(53,217)
Due to Provincial Rental Housing Corporation	25,263	42,749
Social Housing Agreement Reserves	193	(5,237)
Society funds held on deposit	6,433	(4,108)
	14,440	(28,053)
Increase in cash	13,835	755
Cash, beginning of year	3,249	2,494
Cash, end of year	$ 17,084	$ 3,249

See accompanying notes to the financial statements

Statement of Remeasurement Gains and Losses

Year Ended March 31	2016 ($000's)	2015 ($000's)
Accumulated remeasurement gains, beginning of year	$ 1,875	$ 11,077
Losses realized and released to income statement	-	(11,077)
Unrealized gain (loss) attributable to portfolio investments	(6,577)	1,875
Net remeasurement changes for the year	(6,577)	(9,202)
Accumulated remeasurement gain (loss), end of year	$ (4,702)	$ 1,875

Statement of Change in Net Debt

Year Ended March 31	Budget ($000's) (note 12)	2016 ($000's)	2015 ($000's)
Annual surplus from operations		$ 35	$ 28
Net remeasurement changes for the year		(6,577)	(9,202)
		(6,542)	(9,174)
Depreciation of tangible capital assets		3,361	3,043
Acquisition of tangible capital assets	(5,000)	(4,984)	(692)
		(1,623)	2,351
Acquisition of prepaid expenses and housing subsidies		(333,312)	(302,494)
Use of prepaid expenses and housing subsidies		331,338	300,845
		(1,974)	(1,649)
Changes in net debt for the year		(10,139)	(8,472)
Net debt, beginning of year		(32,046)	(23,574)
Net debt, end of year		$ (42,185)	$ (32,046)

See accompanying notes to the financial statements

Notes to the Financial Statements
March 31, 2016

1. General

The British Columbia Housing Management Commission is a Crown agency, established in 1967, responsible for developing new social housing under Provincial Housing Programs, administering the Province's Shelter Aid for Elderly Renters program, Rental Assistance Program, licensing of builders, overseeing the third-party home warranty insurance system; and administering a variety of other federal and/or provincial housing programs. The Commission manages public housing stock and administers agreements relating to units managed by housing sponsors. The Commission ensures that provincial housing policy is reflected in its programs and that these are delivered in a co-ordinated, cost-effective manner. The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

Basis of presentation

These financial statements have been prepared in accordance with Province of British Columbia, Ministry of Finance regulation 688-2010 that requires taxpayer-supported organizations to adopt Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

Use of Estimates

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimating the useful life of capital assets and the write-down of proposal development advances require the greatest degree of estimation. Actual results could differ from those estimates.

Revenue Recognition

Unrestricted contributions are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Tenant Rent Revenue

Tenant rent revenue represents rent charged to residents, and is determined as the lesser of market rent and a percentage of each resident's income.

2. Significant accounting policies (con't)

Tangible Capital Assets

Tangible capital assets are recorded at cost and depreciated over their estimated useful lives.

Desktop applications and computer hardware are depreciated on a three year amortization period. Server applications and communications hardware and components are depreciated on a five year amortization period. Enterprise applications are depreciated on a ten year amortization period. All other capital assets are depreciated over a five year amortization period.

Employee Benefit Plans

The employees and employers of the public service contribute to the Public Service Pension Plan (the Plan), a jointly trusteed pension plan. The Public Service Pension Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are defined. The Plan has approximately 53,000 active plan members and approximately 41,000 retired plan members.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of plan funding. The latest valuation as at March 31, 2014, indicated an actuarial surplus of $194 million for basic pension benefits. The next valuation will be as at March 31, 2017 with results available in early 2018. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. The Commission paid $4,003,121 for employer contributions to the Plan in fiscal 2016 (2015: $3,852,497).

Financial Instruments

The Commission's financial instruments consist of cash, portfolio investments, receivables, due from the Province of British Columbia, due from Canada Mortgage and Housing Corporation, mortgages receivable, construction loans to housing projects, accounts payable and accrued liabilities, due to Provincial Rental Housing Corporation, due to Provincial Treasury and Society funds held on deposit. These financial instruments are accounted for as follows:

Portfolio Investments

Portfolio investments are recognized at their fair value, determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the settlement date, and transaction costs are immediately recognized in income. Realized gains and losses are recognized in the operating statement and unrealized gains/losses from changes in fair value are recorded in the statement of remeasurement gains and losses.

Other Financial Instruments

All other financial instruments are recorded on the cost or amortized cost basis using the effective interest rate method where appropriate.

3. Portfolio Investments

BC Housing invests funds held on behalf of non-profit housing providers, funds for specifics reserves and funds provided by ministries for specific housing projects. These investments are held in pooled investments and managed by four investment management firms. Income derived under the investments is reinvested into the portfolio. An investment committee meets periodically to review the performance of the fund managers and ensure compliance with the BC Housing investment policy. Quarterly reports are provided to the Board. The investment policy has the following asset target components: 30% Fixed Income, 15% Canadian Equity; 20% Canadian real estate and 35% Global Equity. The market yield over fiscal 15/16 was 1.70% (14/15 – 11.35%).

4. Construction Loans to Housing Projects

In its capacity as a National Housing Act approved lender, the Commission funds construction draws for societies who are building approved projects under social housing programs.These advances are repaid at substantial completion of each project from financing arranged with private lenders. The average period of construction financing can range from 18 months to over two years. Societies are charged interest at the Province's weighted average borrowing rate for short-term funds, plus administration costs. The current average yield for the portfolio is 1.08% (2014/15 – 1.40%)

5. Mortgages Receivable

The Commission periodically continues to hold construction financing mortgages receivable after construction completes. In all but rare situations, these mortgages are tendered for take-out financing provided by private sector financial institutions within twelve months of the construction completion date. These mortgages are secured by property and bear weighted average interest of 1.09% in 15/16.

6. Deferred Revenue

These funds are restricted contributions received in advance of related expenditures that are incurred in the following fiscal year.

	2015 ($000's)	Contributions Received ($000's)	Revenue Recognized ($000's)	2016 ($000's)
Provincial Contributions	$ 36,515	$ 425,350	$ (420,903)	$ 40,962
Canada Mortgage and Housing Corporation	42,150	163,280	(145,592)	59,838
Other Agencies	971	132	(693)	410
	$ 79,636	$ 588,762	$ (567,188)	$ 101,210

The Social Housing Agreement Reserves (Note 10) represent further restricted contributions from Canada Mortgage and Housing Corporation of a long term nature.

7. Due to Provincial Rental Housing Corporation

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The advances are non-interest bearing with no set terms of repayment. Provincial Rental Housing Corporation (PRHC) is a Crown corporation managed by the Commission.

8. Society Funds Held on Deposit

These funds represent the balance of mortgage advances held to cover various non-profit society construction and soft costs required to complete their projects. Interest accrues on the society funds at the province's weighted average borrowing rate for short term funds of 0.99%.

9. Grants received in advance of construction

The Commission receives funds from the Province and Canada Mortgage and Housing Corporation (CMHC), the use of which is restricted to the construction of specific social housing projects.

	2015 ($000's)	Grants received ($000's)	Construction costs incurred ($000's)	**2016 ($000's)**
Project Grants	$ 10,892	$ 19,126	$ (18,302)	**$ 11,716**
Provincial Economic Stimulus Fund	-	1,246	(1,246)	-
Provincial FCI Fund	-	4,714	(4,714)	-
Provincial CAII Fund	-	24	(24)	-
CMHC - IAH (Phase I and Phase II)	30,200	243	(20,886)	**9,557**
CMHC - SHA	6,927	-	(3,755)	**3,172**
Federal - Other	-	-	-	-
Ministry - Other	287	-	-	**287**
	$ 48,306	$ 25,353	$ (48,927)	**$ 24,732**

10. Social Housing Agreement Reserves

The funds are available to offset future cost increases in the federal social housing portfolio due to inflation and changes in interest rates, or losses on loans owing by third parties. The funds are restricted under the Social Housing Agreement (SHA) and may only be used for housing within the SHA portfolio.

	2016 ($000's)	2015 ($000's)
Balance, beginning of year	**$ 2,660**	$ 7,468
Funds applied	**193**	(5,223)
Investment income	**(2)**	415
Balance, end of year	**$ 2,851**	$ 2,660

11. Tangible Capital Assets

	2015 ($000's) Cost	Additions	Disposals	2016 ($000's) Cost
Computer software	$ 38,885	3,796	5,802	$ 36,879
Computer hardware	4,553	246	2,030	2,769
Tenant improvements	9,639	551	439	9,751
Office furniture	3,087	119	515	2,691
Office equipment	639	-	475	164
Vehicles	1,116	272	-	1,388
Grounds equipment	496	-	-	496
	$ 58,415	4,984	9,261	$ 54,138

	Accumulated Depreciation	Amortization	Disposals	Accumulated Depreciation
Computer software	$ 31,874	2,547	5,802	$ 28,619
Computer hardware	4,264	255	2,030	2,489
Tenant improvements	9,239	306	439	9,106
Office furniture	2,985	96	515	2,566
Office equipment	629	5	475	159
Vehicles	897	149	-	1,046
Grounds equipment	490	3	-	493
	$ 50,378	3,361	9,261	$ 44,478
Net Book Value	**$ 8,037**			**$ 9,660**

12. Budget figures

Budgeted figures are provided for comparative purposes, and are consistent with the 2015/16 Service Plan budgeted figures that were released in early 2015.

13. Grants in Lieu of Property Taxes

The Commission, on behalf of the Province and CMHC, pays each municipality a grant equivalent to gross property taxes due for all residential properties and projects managed.

14. Commitments

a) Rental Obligations

The Commission has minimum rental obligations under operating leases for office space over the next five fiscal years as follows:

	($000's)
2017	$ 5,024
2018	5,093
2019	5,105
2020	5,452
2021	5,120
	$ 25,794

b) Contractual Obligations

The Commission has significant contractual obligations with not for profit housing societies for the provision of annual subsidies. The current annual subsidy is $348,108,000 with a forecasted amount $1,351,563,000 in 5 years. These contracts are reviewed annually to evaluate the level of commitment.

c) Public-Private Partnership Commitments

The Commission has entered into a public-private partnership project (P3) with Habitat Housing Initiative (HHI) to renovate thirteen Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions provided during construction, for future obligations under the contract with HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets and the obligation is recorded as a liability and included in long-term debt in the Provincial Rental Housing Corporation (see Note 15). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is provided by the Commission. The capital portion of the payments due to HHI are recorded under Housing subsidies and expensed to the Provincial Rental Housing Corporation.

	Capital ($000's)	Facility Maintenance and Lifecycle ($000's)	**Total Payments ($000's)**
2017	9,389	1,941	**11,330**
2018	9,388	2,183	**11,571**
2019	9,388	3,167	**12,555**
2020	9,388	2,905	**12,293**
2021	9,388	3,333	**12,721**
Thereafter	92,320	29,823	**122,143**
Total	$ 139,261	$ 43,352	$ **182,613**

d) Loan Insurance Agreement

CMHC provides loan insurance under the National Housing Act, to assist the Commission in securing mortgages for PRHC and not for profit housing providers. In the event of a loan default, the Commission is required to rectify the default and fully reimburse CMHC for claims paid to approved lenders. Since the establishment of this agreement in January 1993, there has never been a claim made under this agreement. The Commission underwrites these mortgages in accordance with CMHC guidelines for multi-unit properties, places charges on title to ensure access to property and requires housing providers to have an operating agreement with the Commission ensuring ongoing access to financial information.

The maximum value of mortgages that can be insured under this agreement is $2.5 billion. As of March 31, 2016, the total value of outstanding CMHC insured mortgages was $1,791,349,142 (2015: $1,671,177,025). There is no claim expected on this portfolio and the Commission has not recorded a provision for loss.

15. Related Party Transactions

In the normal course of operations, the Commission periodically invoices the provincial government and federal/provincial crown agencies under various funding arrangements or agreements for social housing programs. Funds are due on receipt of the invoice and bear no interest.

These statements do not include the capital cost of projects owned by PRHC. Separate financial statements are prepared for PRHC which is a Crown corporation managed by the Commission.

16. Contingencies

Letters of Guarantee

As at March 31, 2016, the Commission was contingently liable with respect to letters of guarantee totalling $1,661,265 (2015: $2,229,728) for municipal development cost charges.

Legal Claims

The nature of the Commission's activities is such that there will be litigation pending or in progress at any time. With respect to claims at March 31, 2016, management is of the opinion that it has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on the Commission's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

17. Financial Instrument Risks

The Commission, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016.

a) Credit Risk

Credit risk is the risk that the Commission will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Commission to credit risk consist primarily of cash and short term investments, accounts receivable, mortgage receivables and construction loans.

The Commission has an investment policy to ensure investments are managed appropriately to secure the preservation of capital and the availability of liquid funds. The Commission has also retained two qualified investment firms to invest surplus funds in accordance with its investment policy. The majority of receivables are due from federal and provincial agencies. Mortgage receivables are secured by property and are generally held for short periods (Note 5). Construction loans are also secured by property and repaid at substantial completion of project (Note 4).

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Construction loans bear interest at the Province's weighted average borrowing rate, but these loans are short term. Investments bear some interest rate risk but these risks are mitigated through the diversification of the portfolio.

c) Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market.

d) Liquidity Risk

Liquidity risk is the risk that the Commission will not be able to meet its obligations as they fall due. The Commission maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

18. Capital Disclosures

The Commission considers its capital to be its accumulated surplus. Its accumulated surplus consist of amounts invested in tangible capital assets, prepaid expenses and housing subsidies, and net debt. The Commission's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide services. Annual budgets are developed and monitored to ensure the Commission's capital is maintained at an appropriate level.

As a Crown corporation, the Commission cannot incur an annual or cumulative deficit without the prior approval of the Minister Responsible for Housing.

Financial Statements: Provincial Rental Housing Corporation

Statement of Management Responsibility

The financial statements of the Provincial Rental Housing Corporation (the Corporation) are the responsibility of management and have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available at May 24, 2016. The financial statements have also been reviewed and approved by the Board of Directors.

Management maintains systems of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. These systems include formal written policies and procedures, careful selection and training of qualified personnel and appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Board of Directors.

The financial statements have been examined by an independent external auditor. The external auditor's responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present the Corporation's financial position, results of operations, changes in net assets and cash flows in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board of Directors reviews internal financial statements quarterly and external audited financial statements annually. The external auditor has full and open access to financial managements of Corporation and meets when required.

Shayne Ramsay
President

Dan Maxwell
Chief Financial Officer

May 24, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Provincial Rental Housing Corporation

We have audited the accompanying financial statements of the Provincial Rental Housing Corporation, which comprise the Statement of Financial Position as at March 31, 2016, and the Statements of Operations, Change in Net Debt, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 15 to the financial statements discloses the impact of these differences.

BDO Canada LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 24, 2016

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Statement of Financial Position

	March 31 2016 ($000's)	March 31 2015 ($000's)
Financial assets		
Cash	$ 1	$ 1
Debenture subsidy receivable	840	853
Due from BC Housing Management Commission (Note 3)	94,775	69,512
Long term receivable (Note 5)	249,663	244,602
Loan receivables (Note 4)	1,604	3,388
Due from Federal Government (Note 12)	10,854	5,102
	357,737	323,458
Liabilities		
Interest payable	394	421
Deferred contributions (Note 6)	601,526	603,446
Unearned lease revenue	40,679	66,168
Site contamination (Note 7)	7,342	7,420
Long-term debt (Note 10)	248,679	225,180
	898,620	902,635
Net debt	(540,883)	(579,177)
Non-financial assets (note 10)		
Housing and projects under construction	1,195,883	1,174,031
Riverview lands redevelopment	6,084	4,483
	1,201,967	1,178,514
Accumulated surplus	$ 661,084	$ 599,337

Commitments (Note 12)

On behalf of the Board:

Director

Director

See accompanying notes to the financial statements

Statement of Operations

Year Ended March 31	2016 ($000's)	2015 ($000's)
Revenue		
Provincial subsidy	$ 22,047	$ 19,207
Contribution revenue	38,561	32,902
Gain on sale of property	22,042	16,099
Lease revenue	25,564	13,587
Interest income	5,680	5,557
	113,894	87,352
Expenses		
Depreciation	42,628	40,075
Interest on long-term debt	7,201	7,668
Social housing grant and subsidy	1,784	2,755
Group home and self insurance claims	534	1,909
	52,147	52,407
Annual surplus from operations	61,747	34,945
Accumulated surplus from operations, beginning of year	599,337	564,392
Accumulated surplus from operations, end of year	$ 661,084	$ 599,337

See accompanying notes to the financial statements

Statement of Change in Net Debt

Year Ended March 31	2016 ($000's)	2015 ($000's)
Annual surplus	**$ 61,747**	$ 34,945
Acquisition of tangible capital assets	**(122,619)**	(110,096)
Depreciation of tangible capital assets	**42,628**	40,075
Disposal of tangible capital assets	**56,538**	30,943
	(23,453)	(39,078)
Changes in net debt for the year	**38,294**	(4,133)
Net debt, beginning of year	**(579,177)**	(575,044)
Net debt, end of year	**$ (540,883)**	$ (579,177)

See accompanying notes to the financial statements

Statement of Cash Flows

Year Ended March 31	2016 ($000's)	2015 ($000's)
Cash flows provided by (used in)		
Operating transactions		
Annual surplus from operations	$ 61,747	$ 34,945
Adjustments to determine cash flows:		
Depreciation	42,628	40,075
Amortization of deferred contributions	(38,561)	(32,902)
Gain on sale of property	(22,042)	(16,099)
Amortization of unearned lease revenue	(25,489)	(13,511)
Change in non-cash working capital	(3,983)	7,085
	14,300	19,593
Capital transactions		
Property acquisitions	(121,018)	(105,613)
Proceeds on sale of property	78,580	47,042
Riverview lands redevelopment	(1,601)	(4,483)
	(44,039)	(63,054)
Financing transactions		
Deferred contributions	36,641	50,179
New long term debt financing	40,621	38,735
Site contamination	(78)	7,420
Due from BC Housing Management Commission	(25,263)	(42,749)
Long-term debt repayment	(17,121)	(24,498)
Long-term Receivable	(5,061)	14,374
	29,739	43,461
Increase in cash	-	-
Cash, beginning of the year	1	1
Cash, end of year	$ 1	$ 1

See accompanying notes to the financial statements

Notes to the Financial Statements

1. General

The Provincial Rental Housing Corporation was incorporated under the Company Act of the Province of British Columbia in 1961. The Corporation is wholly owned by the Province, and is an agent of the Crown. The Corporation is exempt from federal and provincial income taxes.

The Corporation holds property for social and other low cost housing for the Province. It also holds land under long-term leases to housing sponsors. The subsidized rental housing units of the Corporation are managed and operated by the British Columbia Housing Management Commission (the "Commission"), which is a Crown agency that records the related rental revenue and is responsible for all of the operating and administrative activities and related costs. Separate financial statements are prepared for the Commission.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with section 23.1 of the Budget Transparency and Accountability Act of the Provincial of British Columbia. This section requires that the financial statements be prepared in accordance with Canadian Public Sector Accounting Standards except in regard to the accounting for government transfers as set out in Note 16. The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants Canada is responsible for establishing Canadian public sector accounting standards.

Use of Estimates

In preparing these financial statements management has made estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The service life of buildings requires the greatest degree of estimation. Site remediation liability is based on a third party valuation while the Riverview redevelopment is an estimate based on transfer value and total capitalized costs. Actual results could differ from those estimates.

Tangible Capital Assets

a) The Corporation capitalizes its tangible capital assets at cost and depreciates its buildings on the straight-line method as follows:

Newly constructed buildings are depreciated on a 40 year amortization period. Purchases of older buildings are depreciated over the remaining estimated useful life of the building. Betterments to buildings are depreciated over the extended remaining life of the building. Construction in progress is not subject to depreciation until the project is complete and transferred to buildings.

b) For some social housing projects and group homes, the Province provides grants to the Corporation for a portion of the construction costs.

From time to time, the Corporation disposes of property purchased for social housing projects that cannot proceed due to various circumstances. The proceeds from these sales are applied against the cost of purchasing alternate sites as appropriate. Any surplus or deficiency resulting from those sales is credited or charged to revenue.

c) Capitalization of public-private partnership projects

Public-private partnership (P3) projects are delivered by private sector partners selected to design, build, finance and maintain the assets. The costs of the assets are estimated at fair value, based on construction progress verified by an independent certifier, and also include other costs incurred directly by the Corporation. The asset cost includes development and financing fees estimated at fair value, which require the extraction of cost information from the financial model embedded in the project agreement. Interest during construction is also included in the asset cost and is calculated on the P3 asset value, less contributions received during the construction term. The interest rate used is the project internal rate of return. Upon completion, the project assets are amortized over their estimated useful lives.

Correspondingly, an obligation net of the contributions received is recorded as a liability and included in long-term debt.

Upon substantial completion, the private sector partner receives monthly payments to cover the partners' operating costs, financing costs and a return of their capital.

d) Riverview Lands Re-development

All costs associated with the redevelopment are capitalized, including carrying costs, construction, net operating income or losses, financing and demolition. Costs will be capitalized until the completion of the redevelopment. The net amount recoverable from the redevelopment is considered sufficient to recover the capitalized costs.

Property Leases

The Corporation leases property used for housing projects to housing sponsors. These sixty-year leases are prepaid by the housing sponsors when the housing projects are completed and ready for occupancy. The Corporation amortizes the lease revenue over the term of each lease and records the unearned portion as unearned lease revenue.

Deferred Contributions

Funding received from the Province used for acquisition of depreciable capital assets is recorded as deferred contributions and is recognized as a recovery in the statement of operations equal to depreciation charged on related depreciable capital assets. The requirements of Canadian public sector accounting standards require that government transfers be recognized when approved and

eligibility criteria have been met unless the transfer contains a stipulation that creates a liability in which case the transfer is recognized over the period that the liability is extinguished (Note 16).

Funding received from the Province for acquisition of non-depreciable capital assets, such as land, is allocated to net assets invested in properties when the related assets are acquired.

Government Capital Grants

Consistent with the Province of British Columbia, Ministry of Finance regulation 198/2011 capital grants are recorded as a liability (deferred capital contribution) which is amortized to income over the life of the capital asset being funded.

Financial Instruments

The Corporation's financial instruments consist of debenture subsidy receivable, due from BC Housing Management Commission, cash, long-term receivables, loan receivables, due from federal government, long-term debt, interest payable and property sale deposit. All financial instruments are recorded at cost or amortized cost basis using the effective interest rate method where appropriate.

3. Due from British Columbia Housing Management Commission

Amounts represent funds advanced for the acquisition and development of properties under social housing programs. The amounts are non-interest bearing with no set terms of repayment.

4. Loan Receivables

PRHC has transferred a number of Rural and Native Housing projects to various Aboriginal Housing Providers over the last two years. These properties were originally transferred to PRHC as part of the devolution of federal housing in 2006 with the intention that they would eventually be transferred to aboriginal management and ownership. Repayable loans are associated with each property, with a total value of $1,603,721 (2015 - $3,388,143). Each loan has different repayment dates with interest rates ranging between 3 % to 6 %. The final loan is to be repaid in fiscal 2018/19.

5. Long Term Receivable

The Corporation completed the sale of Little Mountain property on July 2nd 2013 for the proceeds of $333.96 million. The purchaser was required to provide the Corporation with 234 non-market housing units and to pay the balance of the purchase price based on the proportion of the site developed in phases over time. The current receivable is equal to the net present value of the remaining expected future payments and the fair value of the 181 social housing units not constructed, discounted at 3.25%.

March 31, 2015 balance	**$244,601**
Adjustment based on Amendment	**(619)**
Interest Recognized	**5,681**
	$249,663

6. Deferred Contributions

		2016 ($000's)		2015 ($000's)
Balance, beginning of year	$	**603,446**	$	586,169
Receipts		**37,750**		50,291
Amortization		**(39,670)**		(33,014)
Balance, end of year	$	**601,526**	$	603,446

Deferred contributions are capital grants from the Commission. The grants are for the purchase and/or development of new social housing projects or the major rehabilitation of buildings owned by the Corporation (Notes 2 and 16).

7. Site Contamination

MTICS and the Ministry of Health transferred $7.4 million to the Corporation for remediation of contaminated sites at the Riverview Lands project site. This exceeds the current best estimate of the present value of remediation costs required of $4 million. However, the full $7.4 million is recorded as a liability because any portion of the amount transferred that proves to exceed the actual amount required will be repayable by the Corporation to MTICS. The Corporation will review the contamination and cost of remediation over the life of the projects and will adjust the liability as information becomes available.

8. Related Party Transactions

a) Insurance

The Corporation does not insure most of its rental housing properties. Instead property losses are compensated by the Province through the Commission and, for certain properties, by CMHC.

b) Directly Managed Debenture Subsidy

Directly managed debenture subsidy represents funds received from the Commission for the principal and interest costs of the long-term debt related to directly managed properties.

c) Group Home Mortgage Subsidy

Group home mortgage subsidy represents the funds received from the Commission for mortgage payments to chartered banks and CMHC.

d) Administration and Financing

The Commission acts as agent in administering and financing the operations and capital projects of the Corporation. No administration costs are charged to the Corporation for such services performed.

9. Long-Term Debt

		2016 ($000's)		2015 ($000's)
Canada Mortgage & Housing Corporation (CMHC) Debenture mortgages repayable at the end of each year, maturing between the years 2024 and 2027, with a weighted average rate of 7.97% (2015 -7.47%) and secured by unregistered first mortgages on properties of the Corporation	$	**52,659**	$	57,151
Chartered banks and CMHC Mortgages repayable monthly over terms of up to 35 years, with a weighted average rate of 2.63% (2015 - 3.22%), secured by registered first mortgages on properties of the Corporation		**102,935**		102,202
Public-private partnership obligations SRO Renewal Initiative, 18 year contract to January 2031 with Habitat Housing Initiative, monthly payments including interest at 5.12% per annum, payable in accordance with the project agreement terms commencing July 2014 to a maximum of $782,370 As of March 31, 2015, the total amount paid was $ 20,264,811.		**93,085**		65,827
	$	**248,679**	$	225,180

The aggregate principal repayments required in each of the next five fiscal years are estimated to be as follows:

		($000's)
2017	$	34,484
2018		25,648
2019		22,448
2020		25,142
2021		13,437
Thereafter		127,520
	$	248,679

10. Non-Financial Assets

Housing and property under construction

	2015 ($000's)			2016 ($000's)
Cost	Beginning	Additions	Disposals	**Ending**
Land	$ 426,647	$ 27,394	$ (49,951)	$ **404,090**
Buildings	961,900	70,846	(3,880)	**1,028,866**
Construction in progress	71,820	23,014	(5,191)	**89,643**
	$ 1,460,367	$ 121,254	$ (59,022)	$ **1,522,599**

Depreciation	Beginning Accumulated	Annual Expense	Disposals Adjustments	**Ending Accumulated**
Buildings	$ 286,336	$ 42,628	$ (2,248)	$ **326,716**

Net Book Value	Beginning	**Ending**
Land	$ 426,647	$ **404,090**
Buildings	675,564	**702,150**
Construction in progress	71,820	**89,643**
	$ 1,174,031	$ **1,195,883**

Construction in progress includes $ 33.26 million (2015 - $38.65 million) under the SRO Renewal Initiative project. Costs are based upon the percentage of construction completed as verified by an independent party, and includes other costs incurred by the Corporation. Included in the asset costs of the SRO Renewal Initiative are development and financing fees estimated at fair value. Interest during construction is also included in the asset cost. The interest rate used is the project internal rate of return of 6.64 percent (2015 - 6.64 percent). The amount of interest capitalized is $1,379,283 (2015 - $2,101,224). Upon completion, the project assets are amortized over their estimated useful lives.

Riverview Lands Redevelopment

On February 2nd, 2015, ownership of the Riverview land was transferred to the Corporation from Minister of Technology, Innovation and Citizen's Service (MTICS). The land is to be redeveloped over the next several years. All costs associated with the redevelopment will be capitalized, including financing, demolition, land planning and the net operating costs associated with the ongoing operations at the site. Costs related to the development are to be funded through the proceeds obtained from the redevelopment, including lease and film revenues. The land and buildings were transferred to the Corporation at book value (see note 8).

	($000's) 2015 Beginning	Expenses	Revenue	($000's) 2016 Ending
Construction	$ 4,082	1,008	-	$ **5,090**
Net operating	401	3,979	(3,387)	**993**
	$ 4,483	$ 4,987	$ (3,387)	$ **6,083**

As part of its ongoing consultations with the Kwikwetlem First Nation (KFN) respecting the future use and redevelopment of the Riverview Lands, BC Housing entered into an Interim Accommodation Agreement with the KFN dated April 13, 2016, to facilitate the development of two new provincial health facilities on the Riverview Lands that replace existing structures. PRHC, BC Housing and KFN continue to work together to conclude a final impact benefits agreement in relation to the Riverview Lands.

11. Commitments

The Corporation has entered into a public-private partnership project with Habitat Housing Initiative (HHI) to renovate thirteen Single Room Occupancy Hotels in Vancouver's Downtown Eastside. The information provided below shows the anticipated cash outflow, net of federal contributions (see 12(b)) provided during construction, for future obligations under the contract including the Commissions' annual service payments to HHI for the capital cost and financing, the facility maintenance and lifecycle costs as defined in the Project Agreement. Payments to the private partner are contingent on specified performance criteria and include an estimation of inflation where applicable.

As construction progresses, the asset values are recorded as capital assets (see note 11) and the obligation is recorded as a liability and included in long-term debt (see note 10). Upon construction completion, the obligation will be met through the capital component of the monthly service payments over the term of the Project Agreement that is paid directly by the Commission.

a)

	Capital ($000's)	Facility Maintenance and Lifecycle ($000's)	Total Payments ($000's)
2017	9,388	1,941	**11,329**
2018	9,388	2,183	**11,571**
2019	9,388	3,167	**12,555**
2020	9,388	2,905	**12,293**
2021	9,388	3,333	**12,721**
Thereafter	92,322	29,822	**122,144**
Total	$ 139,262	$ 43,351	$ **182,613**

b) Federal Contributions

Year Ended March 31	Annual Total ($000's)
2015	$ 12,931
2016	1,522
2017	14,651
Total	$ **29,104**

Federal contributions (P3 Canada) are due to the Corporation at the completion of each building.

12. Subsequent Events

On April 1st, 3 properties with a net book value of $9,947,156 were sold. Total proceeds received on the sales was $66,962,513 generating a net gain of $ 52,472,000 (net of sales costs of $4,543,000).

13. Financial Instrument Risks

The Corporation, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of those risks at March 31, 2016.

a) Credit Risk

Credit risk is the risk that the Corporation will incur a loss due to the failure by its debtors to meet their contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist primarily of the funds due from the Commission (Note 3) and the long-term receivable (note 4 and 5).

b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is subject to interest rate risk when refinancing its long term debt portfolio. The Corporation mitigates this risk by maximizing its borrowing from CMHC and seeking competitive interest rates from financial institutions. The Corporation is also able to mitigate short and long term interest rate changes through the Commission's ability to borrow directly from the Provincial Treasury.

c) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The Commission administers the finances of the Corporation and maintains adequate levels of working capital to ensure all its obligations can be met when they fall due.

14. Budget

The Corporation does not establish an annual operating budget as the information does not assist the directors in monitoring or evaluating changes in revenues or expenditures. The Corporation operates as a land holding company and does not employ staff. The Corporation's revenues and expenditures are largely fixed in nature. The Commission actively administers the provincial social housing programs and records the revenues and expenditures incurred from the operation of the Corporation's buildings. The Commission is also responsible for initiating decisions around purchases, new developments and the rehabilitation or modernization of the Corporation's properties.

15. Impact of Accounting for Government Transfers in Accordance with the Budget Transparency and Accounting Act

As noted in the significant accounting policies, section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and its related regulations require the Corporation to account for government transfers for capital assets by deferring and amortizing them to income on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be reported in income immediately. If government transfers were accounted for under Canadian public sector accounting standards the impact of this difference on the financial statements of the Corporation is as follows:

a) For the year-ended March 31, 2015, an increase to annual surplus of $33,134,000; and

b) for March 31, 2015, an increase to accumulated surplus and a decrease to contributions of $499,203,000;

c) for the year-ended March 31, 2016, an increase to annual surplus of $310,000; and

d) for March 31, 2016, an increase to accumulated surplus and a decrease to contributions of $499,513,000.

Appendix A – Crown Corporations Mandate and Actions Summary

In the 2015/16 Mandate Letter from the minister responsible, BC Housing received direction on strategic priorities for the 2015/16 fiscal year. These priorities and BC Housing's resulting actions are summarized below:

Mandate Letter Direction	Crown corporation's Action
1. Support a strong non-profit sector through a range of activities and initiatives that include capacity-building, as well as education and training partnerships with the BC Non-Profit Housing Association.	• Continue transferring Provincial Rental Housing Corporation (PRHC) properties to non-profit housing providers, including PRHC-leased land in social housing projects and select public housing stock where appropriate through the Non-Profit Asset Transfer Program. • Assist housing providers to prepare for the expiry of operating agreements. •Initiate education and training programs in partnership with BC Non-Profit Housing Association including new course on governance and partnerships.
2. Support a strong, self-reliant Aboriginal housing sector through strategic initiatives with the Aboriginal Housing Management Association and innovation partnerships for the creation of new housing options.	• Ensure that there are lasting benefits to Aboriginal communities that we work with through a range of initiatives such as housing-related training and employment, and capacity development. • Provide BC Housing staff with opportunities to gain a stronger understanding of the cultural aspects related to Aboriginal partnerships and housing. • Reach out to First Nations in B.C. to create partnerships that will increase community capacity and respond to housing needs.
3. Respond to needs along the housing continuum through programs and initiatives to break the cycle of homelessness, including enhancing rent assistance, and to create new housing options for low and moderate income households.	• Provide financial assistance to low-income seniors and working families in the private market through rental assistance programs, including the *Homeless Prevention Program*. • Improve the physical accessibility of homes for low-income seniors and persons with disabilities through the *Home Adaptations for Independence* program. • Launch the *Provincial Investment in Affordable Housing* Program to create over 2,000 units of affordable housing for households with low and moderate incomes.
4. Support consumer confidence by developing a model for third party dispute resolution of home warranty claims.	• Administer consumer protection measures for buyers of new homes by implementing an accreditation system for home builder education and education providers, working with government partners towards establishing an appeal mechanism for new home construction warranty claims.